

**NEW ADVANCED ELECTRONICS
TECHNOLOGIES CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2021 AND 2020**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

NEW ADVANCED ELECTRONICS TECHNOLOGIES CO., LTD.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2021, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the entity that is required to be included in the consolidated financial statements of affiliates, is the same as the entity required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10. Additionally, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

New Advanced Electronics Technologies Co., Ltd.

Representative:

March 4, 2022

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of New Advanced Electronics Technologies Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of New Advanced Electronics Technologies Co., Ltd. (formerly Samya Technology Co., Ltd.) and subsidiaries (the “Group”) as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the “other matter” section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained and the report of other auditors are sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Appropriateness of the timing of sales revenue recognition

Description

For the year ended December 31, 2021, the Group's sales revenue amounted to NT\$3,050,503 thousand. For accounting policies on recognition of revenue, please refer to Note 4(24). For details of sales revenue, please refer to Note 6(15).

The Group is primarily engaged in exports. Sales are recognised when the control of the products has been transferred to customers based on the sales orders, contracts or other trading terms. The procedures for the timing of revenue recognition involve checking the sales situation and relevant documents, and those procedures were performed manually, and it may have a significant effect on the appropriateness of revenue recognition around the end of the reporting period. Therefore, we consider the appropriateness of the timing of sales revenue recognition timing as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- (1) Obtained an understanding of, assessed and tested the design and effectiveness of performance of internal control.
- (2) Performed cut-off tests on export sales revenue for a certain period around the end of the reporting period, verified the supporting documents of sales revenue recognition, and assessed the timing of revenue recognition based on trade terms to ascertain the appropriateness of sales revenue recognition.

Other matter – Parent company only financial statements

We have audited and expressed an unqualified opinion on the parent company only financial statements of New Advanced Electronics Technologies Co., Ltd. as at and for the years ended December 31, 2021 and 2020.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group’s financial reporting process.

Auditors’ responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Wu, Chien-Chih

Liao, A-Shen

For and on behalf of PricewaterhouseCoopers, Taiwan
March 4, 2022

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

NEW ADVANCED ELECTRONICS TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 422,993	23	\$ 112,606	16
1110	Financial assets at fair value through profit or loss - current	6(2)	56	-	-	-
1136	Current financial assets at amortised cost	6(3) and 8	73,369	4	-	-
1170	Accounts receivable, net	6(4)	777,541	42	142,259	21
1200	Other receivables	6(5)	17,378	1	888	-
130X	Inventories	6(6)	7,772	-	-	-
1410	Prepayments		20,001	1	1,222	-
1479	Other current assets, others		385	-	249	-
11XX	Current Assets		1,319,495	71	257,224	37
Non-current assets						
1535	Non-current financial assets at amortised cost	6(3) and 8	6,398	-	922	-
1600	Property, plant and equipment	6(7) and 7	352,496	19	227,534	33
1755	Right-of-use assets	6(8) and 7	158,507	8	154,921	22
1840	Deferred income tax assets	6(22)	9,735	1	2,491	1
1915	Prepayments for business facilities		21,125	1	49,436	7
1920	Guarantee deposits paid		2,248	-	1,445	-
15XX	Non-current assets		550,509	29	436,749	63
1XXX	Total assets		\$ 1,870,004	100	\$ 693,973	100

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NEW ADVANCED ELECTRONICS TECHNOLOGIES CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2021		December 31, 2020			
			Notes	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(9) and 8	\$	229,765	12	\$	71,200	10
2170	Accounts payable			4,576	-		-	-
2180	Accounts payable - related parties	7		114,514	6		52,706	8
2200	Other payables	6(11)		56,208	3		30,052	4
2230	Current income tax liabilities			79,288	4		1,008	-
2280	Current lease liabilities	7		6,122	1		2,585	1
2399	Other current liabilities, others			888	-		67	-
21XX	Current Liabilities			491,361	26		157,618	23
Non-current liabilities								
2530	Bonds payable	6(10) and 7		553,314	30		-	-
2570	Deferred income tax liabilities	6(22)		8,363	1		1,544	-
2580	Non-current lease liabilities	7		7,800	-		5,133	1
25XX	Non-current liabilities			569,477	31		6,677	1
2XXX	Total Liabilities			1,060,838	57		164,295	24
Equity attributable to owners of parent								
	Share capital	6(10)(12)						
3110	Share capital - common stock			321,603	17		321,603	46
3130	Certificate of entitlement to new shares from convertible bond			1,695	-		-	-
	Capital surplus	6(10)(13)						
3200	Capital surplus			231,558	12		177,817	26
	Retained earnings	6(14)						
3310	Legal reserve			16,001	1		-	-
3320	Special reserve			14,209	1		-	-
3350	Unappropriated retained earnings (accumulated deficit)			238,108	13	(	129,288)	(19)
	Other equity interest							
3400	Other equity interest		(	14,008)	(1)	(	9,487)	(1)
31XX	Equity attributable to owners of the parent			809,166	43		360,645	52
36XX	Non-controlling interests	4(3) and 6(25)		-	-		169,033	24
3XXX	Total equity			809,166	43		529,678	76
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	Total liabilities and equity		\$	1,870,004	100	\$	693,973	100

The accompanying notes are an integral part of these consolidated financial statements.

NEW ADVANCED ELECTRONICS TECHNOLOGIES CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except for earnings (loss) per share)

			Year ended December 31			
			2021		2020	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(15)		\$ 3,050,503	100	\$ 351,180	100
5000 Operating costs	6(6)(20)(21) and 7		(2,277,420)	(75)	(254,674)	(73)
5900 Net operating margin			<u>773,083</u>	<u>25</u>	<u>96,506</u>	<u>27</u>
Operating expenses	6(20)(21) and 7					
6100 Selling expenses			(25,307)	(1)	(6,986)	(2)
6200 General and administrative expenses			(116,578)	(4)	(39,167)	(11)
6300 Research and development expenses			(12,617)	-	(2,993)	(1)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)		(1,306)	-	-	-
6000 Total operating expenses			(155,808)	(5)	(49,146)	(14)
6900 Operating profit			<u>617,275</u>	<u>20</u>	<u>47,360</u>	<u>13</u>
Non-operating income and expenses						
7100 Interest income	6(16)		439	-	1,292	1
7010 Other income	6(17)		10,770	-	1,155	-
7020 Other gains and losses	6(2)(18)		(9,686)	-	(3,402)	(1)
7050 Finance costs	6(19) and 7		(13,903)	-	(168)	-
7000 Total non-operating income and expenses			(12,380)	-	(1,123)	-
7900 Profit before income tax			604,895	20	46,237	13
7950 Income tax expense	6(22)		(79,086)	(3)	(2,525)	(1)
8200 Profit for the year			<u>\$ 525,809</u>	<u>17</u>	<u>\$ 43,712</u>	<u>12</u>
Other comprehensive income						
Components of other comprehensive income that will be reclassified to profit or loss						
8361 Other comprehensive income, before tax, exchange differences on translation			(\$ 5,657)	-	(\$ 20,091)	(6)
8399 Total income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(22)		<u>1,136</u>	<u>-</u>	<u>2,663</u>	<u>1</u>
8360 Total other comprehensive loss that will be reclassified to profit or loss, net of tax			(4,521)	-	(17,428)	(5)
8500 Total comprehensive income for the year			<u>\$ 521,288</u>	<u>17</u>	<u>\$ 26,284</u>	<u>7</u>
Profit (loss), attributable to						
8610 Owners of the parent			\$ 526,247	17	\$ 46,550	13
8615 Former owner of business combination under common control			-	-	(1,267)	-
8620 Non-controlling interests			(438)	-	(1,571)	(1)
Total			<u>\$ 525,809</u>	<u>17</u>	<u>\$ 43,712</u>	<u>12</u>
Comprehensive income, attributable to						
8710 Owners of the parent			\$ 521,726	17	\$ 36,042	9
8715 Former owner of business combination under common control			-	-	(1,267)	-
8720 Non-controlling interests			(438)	-	(8,491)	(2)
Total			<u>\$ 521,288</u>	<u>17</u>	<u>\$ 26,284</u>	<u>7</u>

(Continued)

NEW ADVANCED ELECTRONICS TECHNOLOGIES CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except for earnings (loss) per share)

	Items	Notes	Year ended December 31	
			2021	2020
	Basic earnings (loss) per share attributable to:			
	Owners of the parent		\$ 16.36	\$ 1.58
	Former owner of business combination under common control		-	(0.04)
9750	Basic earnings per share	6(23)	<u>\$ 16.36</u>	<u>\$ 1.54</u>
	Diluted earnings (loss) per share attributable to:			
	Owners of the parent		\$ 15.22	\$ 1.58
	Former owner of business combination under common control		-	(0.04)
9850	Diluted earnings per share	6(23)	<u>\$ 15.22</u>	<u>\$ 1.54</u>

The accompanying notes are an integral part of these consolidated financial statements.

NEW ADVANCED ELECTRONICS TECHNOLOGIES CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent														
		Share Capital		Capital Surplus				Retained Earnings				Former owner of business combination under common control	Non-controlling interests	Total equity		
		Notes	Common stock	Certificate of entitlement to new shares from convertible bond	Additional paid-in capital	Difference between consideration and carrying amount of subsidiaries	Share options	Others	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)				Financial statements translation differences of foreign operations	Total
2020																
Balance at January 1, 2020			\$ 211,603	\$ -	\$ 12,603	\$ -	\$ -	\$ 314	\$ -	\$ -	(\$ 175,838)	\$ 1,021	\$ 49,703	\$ 110,888	\$ 66,533	\$ 227,124
Profit (loss) for the year			-	-	-	-	-	-	-	-	46,550	-	46,550	(1,267)	(1,571)	43,712
Other comprehensive loss for the year			-	-	-	-	-	-	-	-	-	(10,508)	(10,508)	-	(6,920)	(17,428)
Total comprehensive income (loss)			-	-	-	-	-	-	-	-	46,550	(10,508)	36,042	(1,267)	(8,491)	26,284
Cash capital increase 6(12)			110,000	-	166,270	-	-	-	-	-	-	-	276,270	-	-	276,270
Group reorganization impact6(24)			-	-	(1,370)	-	-	-	-	-	-	-	(1,370)	(109,621)	(61,923)	(172,914)
Changes in non-controlling interests 4(3)			-	-	-	-	-	-	-	-	-	-	-	-	172,914	172,914
Balance at December 31, 2020			\$ 321,603	\$ -	\$ 177,503	\$ -	\$ -	\$ 314	\$ -	\$ -	(\$ 129,288)	(\$ 9,487)	\$ 360,645	\$ -	\$ 169,033	\$ 529,678
2021																
Balance at January 1, 2021			\$ 321,603	\$ -	\$ 177,503	\$ -	\$ -	\$ 314	\$ -	\$ -	(\$ 129,288)	(\$ 9,487)	\$ 360,645	\$ -	\$ 169,033	\$ 529,678
Profit (loss) for the year			-	-	-	-	-	-	-	-	526,247	-	526,247	-	(438)	525,809
Other comprehensive loss for the year			-	-	-	-	-	-	-	-	-	(4,521)	(4,521)	-	-	(4,521)
Total comprehensive income (loss)			-	-	-	-	-	-	-	-	526,247	(4,521)	521,726	-	(438)	521,288
Appropriations and distribution of retained earnings of the first half of 2021:																
Legal reserve			-	-	-	-	-	-	16,001	-	(16,001)	-	-	-	-	-
Special reserve			-	-	-	-	-	-	-	14,209	(14,209)	-	-	-	-	-
Cash dividends 6(14)			-	-	-	-	-	-	-	-	(128,641)	-	(128,641)	-	-	(128,641)
Recognition of equity component due to the proceeds from issuance of convertible bonds 6(10)			-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of convertible bonds 6(10)(12)			-	-	-	-	-	10,111	-	-	-	-	10,111	-	-	10,111
Changes in non-controlling interest 4(3) and 6(25)			-	1,695	36,877	-	(648)	-	-	-	-	-	37,924	-	-	37,924
Balance at December 31, 2021			\$ 321,603	\$ 1,695	\$ 214,380	\$ 7,401	\$ 9,463	\$ 314	\$ 16,001	\$ 14,209	\$ 238,108	(\$ 14,008)	\$ 809,166	\$ -	\$ -	\$ 809,166

The accompanying notes are an integral part of these consolidated financial statements.

NEW ADVANCED ELECTRONICS TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 604,895	\$ 46,237
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss on financial assets at fair value through profit or loss	6(2)(18)	1,005	-
Expected credit impairment loss	12(2)	1,306	-
Depreciation expense	6(7)(8)(20)	8,516	4,614
Interest expense	6(19)	5,687	165
Interest income	6(16)	(439)	(1,292)
Other gains		-	(1,021)
Gain on disposal of property, plant and equipment	6(18)	-	(5)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(636,578)	(141,405)
Other receivables		(16,495)	(888)
Inventories		(7,772)	2,847
Prepayments		(18,040)	(1,222)
Other current assets, others		(136)	7,807
Other nono-current assets, others		-	8
Changes in operating liabilities			
Accounts payable		4,576	-
Accounts payable to related parties		61,808	52,706
Other payables		43,139	2,886
Other current liabilities, others		821	(25)
Other non-current assets, others		-	(9)
Cash inflow (outflow) generated from operations		52,293	(28,597)
Interest paid		(3,058)	(130)
Income tax refunded		4	-
Net cash flows from (used in) operating activities		49,239	(28,727)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of current financial assets at amortised cost		(73,369)	-
Acquisition of non-current financial assets at amortised cost		(5,476)	(922)
Acquisition of property, plant and equipment	6(26)	(101,349)	(212,081)
Proceeds from disposal of property, plant and equipment		-	10
Increase in prepayments for business facilities		(13,083)	(49,436)
Increase in refundable deposits		(803)	(1,363)
Interest received		439	1,292
Net cash flows used in investing activities		(193,641)	(262,500)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(27)	158,565	71,200
Payments of lease liabilities	6(27)	(4,433)	(1,094)
Proceeds from issuing bonds (net of cost of issuance)	6(27)	597,792	-
Cash capital increase	6(12)	-	276,270
Cash dividends paid	6(14)	(128,641)	-
Acquisition of non-controlling interests	6(25)	(168,114)	-
Net cash flows from financing activities		455,169	346,376
Effect of exchange rate changes on cash and cash equivalents		(380)	(6,742)
Net increase in cash and cash equivalents		310,387	48,407
Cash and cash equivalents at beginning of year		112,606	64,199
Cash and cash equivalents at end of year		\$ 422,993	\$ 112,606

The accompanying notes are an integral part of these consolidated financial statements.

NEW ADVANCED ELECTRONICS TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

- (1) New Advanced Electronics Technologies Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in research and development, manufacture and sales of speakers, various portable power supplies and related power supply products.
- (2) On September 15, 2004, the Company started public offering in Taiwan’s security trading market in accordance with the approval from the Securities and Futures Bureau. On January 28, 2008, the Company became listed on the Taipei Exchange.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 4, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note: Earlier application from January 1, 2021 is allowed by FSC.

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by the IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current of non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the financial assets (including derivative instruments) at fair value through profit or loss, the parent company only financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) If changes in the Group’s shares in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Note
			December 31,		
			2021	2020	
New Advanced Electronics Technologies Co., Ltd.	New Advanced Electronics Technologies (Hong Kong) Company Limited	Design, research and development and trade of speakers	100	100	
New Advanced Electronics Technologies Co., Ltd.	New Advanced Electronics Technologies (Vietnam) Company Limited	Manufacture of speakers	100	62.5	Note 1
New Advanced Electronics Technologies Co., Ltd.	Jensen Electronics Company Limited	Trading company	100	-	Note 2

Note 1: The Group increased its capital in New Advanced Electronics Technologies (Vietnam) Co., Ltd. by cash in July 2020 to acquire a 62.5% equity interest, and included it as a consolidated entity of the Group. New Advanced Electronics Technologies (Vietnam) Co., Ltd. was incorporated in November 2019. The original shareholder, Frontier Technologies Holdings Limited, is a subsidiary wholly owned by the Group's ultimate controlling party. Thus, this equity transaction pertains to the reorganisation of entities under common control. The Group has retrospectively restated the prior period consolidated financial statements as if the entity had always been consolidated since the beginning.

The Group gradually acquired 37.5% equity interests in New Advanced Electronics Technologies (Vietnam) Co., Ltd. from its original shareholder in January 2021, along with 62.5% of the original shareholdings, the total shareholding is 100%. Please refer to Note 6(25) for details.

Note 2: The company was established by the Group in June 2021.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2021 and 2020, the non-controlling interest amounted to \$0, and \$169,033, respectively. The information on non-controlling interest and respective subsidiary is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest		Non-controlling interest	
		December 31, 2021		December 31, 2020	
		Amount	Ownership (%)	Amount	Ownership (%)
New Advanced Electronics Technologies (Vietnam) Co., Ltd.	Vietnam	\$ -	-	\$ 169,033	37.50

Summarised financial information of New Advanced Electronics Technologies (Vietnam) Co., Ltd.:

Balance sheet

	December 31, 2020
Current assets	\$ 49,465
Non-current assets	422,672
Current liabilities	(21,382)
Non-current liabilities	-
Total net assets	<u>\$ 450,755</u>

Statement of comprehensive income

	Years ended December 31	
	2021	2020
Revenue	\$ -	\$ -
Loss before income tax	(24,078)	(4,213)
Income tax expense	-	-
Loss for the period from continuing operations	(24,078)	(4,213)
Other comprehensive loss, net of tax	-	(18,451)
Total comprehensive loss for the period	<u>(\$ 24,078)</u>	<u>(\$ 22,664)</u>
Comprehensive loss attributable to non-controlling interest	<u>(\$ 438)</u>	<u>(\$ 8,491)</u>
Comprehensive loss attributable to former owner of business combination under common control	<u>\$ -</u>	<u>(\$ 1,267)</u>
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>

Statement of cash flows

	Year ended December 31, 2020
Net cash provided by operating activities	\$ 5,942
Net cash used in investing activities	(255,329)
Net cash provided by financing activities	293,419
Effect of exchange rates on cash and cash equivalents	(9,919)
Increase in cash and cash equivalents	<u>34,113</u>
Cash and cash equivalents, beginning of period	<u>15,105</u>
Cash and cash equivalents, end of period	<u>\$ 49,218</u>

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities associates, and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities presented in each balance sheet are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts receivable

- A. Accounts receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.
- C. The Group's operating pattern of accounts receivable that are expected to be factored is for the purpose of receiving contract cash flow and selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in other comprehensive income.

(10) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment are measured at cost model subsequently. Land is not depreciated. Other property, plant and equipment are depreciated using the straight-line method over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Machinery equipment	5 ~ 7 years
Furniture and fixtures	3 ~ 5 years
Miscellaneous equipment	2 ~ 6 years

(14) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
 - (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date; and
 - (c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(15) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(16) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(17) Accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Convertible bonds payable

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in ‘capital surplus—share options’ at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and ‘financial assets or financial liabilities at fair value through profit or loss’) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and ‘capital surplus—share options’.

(19) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

For the defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

C. Employees’ compensation and directors’ remuneration

Employees’ compensation and directors’ remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(21) Income taxes

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(22) Share capital

Ordinary shares are classified as equity.

(23) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(24) Revenue recognition

The Group manufactures and sells speakers, portable power supplies and chargers. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the use to sell the products, and the Group has no unfulfilled obligation. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(25) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

(26) Reorganisation of entities under common control

- A. In accordance with the IFRS Q&A ‘Questions on the accounting treatment of business combination under common control’ issued by Accounting Research and Development Foundation of the R.O.C. (ARDF) on October 26, 2018, there are no definite rules for business combinations of entities under common control in IFRS 3, ‘Business combinations’. Therefore, the Group applied the related interpretations issued in the R.O.C. to account for the intra-group reorganisation using the book value method and retrospectively restated the prior period financial statements as if the entity had always been consolidated since the beginning.
- B. As aforementioned in Note 4(3)B, the Company increased its capital in New Advanced Electronics Technologies (Vietnam) Co., Ltd. by cash in July 2020 to acquire a 62.5% equity interest. In accordance with the ARDF Interpretation 101-301, the transaction pertains to the intra-group reorganisation and therefore the Company restated the prior period financial statements as if New Advanced Electronics Technologies (Vietnam) Co., Ltd. had always been consolidated since the beginning. The shares of equity and profit or loss attributable to original shareholder of New Advanced Electronics Technologies (Vietnam) Co., Ltd. (Frontier Technologies Holdings Limited) were recorded as ‘equity attributable to former owner of business combination under common control’ and ‘profit (loss), attributable to former owner of business combination under common control’, respectively.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group’s accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The related information is addressed below:

(1) Critical judgements in applying the Group’s accounting policies

None.

(2) Critical accounting estimates and assumptions

None.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 20	\$ 20
Checking accounts and demand deposits	422,973	100,015
Time deposits	-	12,571
	<u>\$ 422,993</u>	<u>\$ 112,606</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash pledged to others.

(2) Financial assets at fair value through profit or loss

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Options embedded in convertible bonds	\$ 56	\$ -

For the years ended December 31, 2021 and 2020, the net loss recognised for trading derivative instruments amounted to \$1,005 and \$0, respectively.

(3) Financial assets at amortised cost

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Restricted bank deposits	\$ 1,401	\$ -
Pledged time deposits	71,968	-
	<u>\$ 73,369</u>	<u>\$ -</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current items:		
Restricted bank deposits	5,421	922
Pledged time deposits	977	-
	<u>6,398</u>	<u>922</u>

A. Interest income from time deposits is provided in Note 6(16).

B. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was \$79,767 and \$922, respectively.

C. Details of the Company's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(4) Accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	\$ 778,837	\$ 142,259
Less: Allowance for uncollectible accounts	(1,296)	-
	<u>\$ 777,541</u>	<u>\$ 142,259</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2021	December 31, 2020
Not past due	\$ 751,490	\$ 141,323
Up to 30 days	21,912	877
31 to 90 days	5,378	59
91 to 180 days	-	-
181 to 270 days	-	-
271 to 365 days	-	-
Over 365 days	57	-
	<u>\$ 778,837</u>	<u>\$ 142,259</u>

The above ageing analysis was based on past due dates.

B. As of December 31, 2021 and 2020, accounts receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers amounted to \$854.

C. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the accounts receivable held by the Group was \$777,541 and \$142,259, respectively.

D. For the years ended December 31, 2021 and 2020, the Group's accounts receivable that are expected to be factored were classified as financial assets at fair value through other comprehensive income amounting to \$575,245 and \$0, respectively.

E. Please refer to Note 6(5) for information on transfer of financial assets.

F. The Group did not hold collateral as security for accounts receivable.

G. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(5) Transfer of financial assets

On July 16, 2021, the Company entered into a factoring agreement with CTBC Bank to sell its accounts receivable. Under the agreement, the Company is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Company does not have any continuing involvement in the transferred accounts receivable. Thus, the Company derecognised the transferred accounts receivable, and the related information is as follows:

December 31, 2021					
(Expressed in thousands)					
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Amount advanced	Amount available for advance	Interest rate of amount advanced
CTBC Bank	US\$4,380	US\$4,380	US\$3,803	US\$139	1.10%

The abovementioned factored accounts receivable were transferred from accounts receivable to other receivables. As of December 31, 2021, the balance amount was \$15,973.

(6) Inventories

	December 31, 2021	December 31, 2020
Raw materials (including semi-finished goods)	\$ 7,772	\$ -

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2021	2020
Cost of goods sold	\$ 2,277,420	\$ 256,616
Gain on reversal of decline in market value	-	(1,942)
	\$ 2,277,420	\$ 254,674

For the year ended December 31, 2020, the Group reversed from a previous inventory write-down because of sale of some inventories previously written down for decline in value.

(7) Property, plant and equipment

	2021				
<u>Cost</u>	Machinery and equipment	Office equipment	Miscellaneous equipment	Construction in progress and equipment under acceptance	Total
Balance at January 1	\$ 723	\$ 211	\$ 1,786	\$ 225,076	\$ 227,796
Additions	-	-	224	84,142	84,366
Transfers	-	-	-	40,655	40,655
Net exchange differences	-	(5)	(51)	916	860
Balance at December 31	723	206	1,959	350,789	353,677
<u>Accumulated depreciation and impairment</u>					
Balance at January 1	(40)	(98)	(124)	-	(262)
Depreciation expense	(121)	(57)	(755)	-	(933)
Net exchange differences	-	1	13	-	14
Balance at December 31	(161)	(154)	(866)	-	(1,181)
Carrying amount at December 31	\$ 562	\$ 52	\$ 1,093	\$ 350,789	\$ 352,496
	2020				
<u>Cost</u>	Machinery and equipment	Office equipment	Miscellaneous equipment	Construction in progress and equipment under acceptance	Total
Balance at January 1	\$ 1,863	\$ 624	\$ 3,330	\$ 1,331	\$ 7,148
Additions	723	97	1,732	230,127	232,679
Disposals	(1,863)	(510)	(3,276)	-	(5,649)
Net exchange differences	-	-	-	(6,382)	(6,382)
Balance at December 31	723	211	1,786	225,076	227,796
<u>Accumulated depreciation and impairment</u>					
Balance at January 1	(1,863)	(564)	(3,283)	-	(5,710)
Depreciation expense	(40)	(39)	(117)	-	(196)
Disposals	1,863	505	3,276	-	5,644
Balance at December 31	(40)	(98)	(124)	-	(262)
Carrying amount at December 31	\$ 683	\$ 113	\$ 1,662	\$ 225,076	\$ 227,534

The Company did not have property, plant and equipment pledged as collaterals and borrowing costs capitalized as a part of property, plant and equipment for the years ended December 31, 2021 and 2020.

(8) Leasing arrangements — lessee

- A. The Group leases various assets including land , buildings and transportation equipment. Rental contracts are typically made for periods of 3 to 47 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise of buildings. On December 31, 2021 and 2020, payments of lease commitments for short-term leases amounted to \$0 and \$1,182, respectively.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2021	December 31, 2020
	Carrying amount	Carrying amount
Land	\$ 144,567	\$ 147,190
Buildings	11,995	7,731
Machinery and equipment	1,945	-
	<u>\$ 158,507</u>	<u>\$ 154,921</u>
	Year ended December 31, 2021	Year ended December 31, 2020
	Depreciation charge	Depreciation charge
Land	\$ 3,156	\$ 3,339
Buildings	4,184	1,079
Machinery and equipment	243	-
	<u>\$ 7,583</u>	<u>\$ 4,418</u>

- D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$10,753 and \$8,773, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	Years ended December 31	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 132	\$ 35
Expense on short-term lease contracts	1,493	2,456
	<u>\$ 1,625</u>	<u>\$ 2,491</u>

- F. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were \$6,058 and \$3,585, respectively.

(9) Short-term borrowings

Type of borrowings	December 31, 2021	December 31, 2020
Bank unsecured borrowings	\$ 169,734	\$ 71,200
Bank secured borrowings	60,031	-
	<u>\$ 229,765</u>	<u>\$ 71,200</u>
Interest rate range	<u>1.00%~1.75%</u>	<u>1.22%</u>

A. Please refer to Note 8 for the details of collateral for the abovementioned short-term borrowings.

B. Interest expense recognised in profit or loss amounted to \$3,058 and \$130 for the years ended December 31, 2021 and 2020, respectively.

(10) Bonds payable

	December 31, 2021	December 31, 2020
Bonds payable	\$ 561,500	\$ -
Less: Discount on bonds payable	(8,186)	-
	<u>\$ 553,314</u>	<u>\$ -</u>

A. The terms of the third domestic secured convertible bonds issued by the Company are as follows:

- (a) The Company issued \$600,000, 0% third domestic secured convertible bonds, as approved by the regulatory authority. The bonds mature three years from the issue date (April 21, 2021 ~ April 21, 2024) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on April 21, 2021.
- (b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three month of the bonds issue before the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares. As of December 31, 2021, convertible bonds amounting to \$38,500 in total par value were requested for conversion into 170 thousand ordinary shares. The amount of \$1,695 was recorded under 'certificate of entitlement to new shares from convertible bonds' because the registration for the change has not yet been completed. Additionally, 'capital surplus- additional paid-in capital' increased by \$36,877, and 'capital surplus- share options' decreased by \$648.
- (c) The conversion price of the bonds is set up based on the pricing model specified in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price is \$232.4 (in dollars) per share upon issuance. However, after the issuance of this convertible bond, except for the issuance (or private placement) of various securities with common stock conversion rights or stock options for the conversion of common shares or issuing new shares for employee bonus, if there is an increase in the common shares issued (or private placement) by the Company, the conversion price of the bonds shall be calculated on the base date in accordance with the provisions of

the issuance regulations and subsequently adjusted based on the formula defined in the regulations, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. As of December 31, 2021, the conversion price was adjusted to \$227.1 (in dollars) per share.

- (d) The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value plus 0.5006% (yield to call of 0.25%) of the face value as interests upon two years from the issue date.
 - (e) The Company may repurchase all the bonds outstanding in cash at the bonds' face value within 30 trading days after the following events occur: (i) the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.
 - (f) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from securities trading markets), matured and converted are retired and not to be sold and re-issued; all rights and obligations attached to the bonds are also extinguished.
- B. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$10,111 were separated from the liability component and were recognised in 'capital surplus—share options' in accordance with IAS 32. As of December 31, 2021, the abovementioned 'capital surplus—share options' after exercising the conversion rights and reversed amounted to \$9,463. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective annual interest rate of the bonds after separation is 1.91%.

C. Please refer to Note 7 for the details of collateral for the bonds payable.

(11) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Salary and bonus payable	\$ 19,709	\$ 7,592
Employees' compensation and directors' remuneration payable	11,500	-
Payables for service fees	626	350
Equipment payable	3,615	20,598
Other accrued expenses	12,875	-
Others	7,883	1,512
	<u>\$ 56,208</u>	<u>\$ 30,052</u>

(12) Share capital

- A. As of December 31, 2021, the Company's authorised capital was \$600,000, consisting of 60 million shares of ordinary stock (including 2 million shares reserved for employee stock options), and the paid-in capital was \$321,603 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	(Unit: in thousand shares)	
	2021	2020
At January 1	32,160	21,160
Cash capital increase-private placement	-	11,000
At December 31	32,160	32,160

- B. On April 23, 2019 and June 18, 2019, the Board of Directors and the shareholders resolved to raise capital by conducting private placement within the amount of 17 million shares of ordinary shares, respectively. On March 23, 2020, the Board of Directors resolved to conduct a private placement by issuing 7,000 thousand shares at a premium price of \$25.17 (in per share dollars). The capital increase was set effective on March 27, 2020 and the registration has been completed on April 14, 2020.
- C. On April 23, 2019 and June 18, 2019, the Board of Directors and the shareholders resolved to raise capital by conducting private placement within the amount of 17 million shares of ordinary shares, respectively. On March 25, 2020, the Board of Directors has resolved the Company to conduct a private placement by issuing 4,000 thousand shares at the a premium price of \$25.02 (in per share dollars). The capital increase was set effective on March 27, 2020 and the registration has been completed on April 14, 2020.
- D. The right and obligation of the Company's privately placed ordinary shares are the same as other issued ordinary shares, except for the restrictions on transfers and procedures that the Company shall submit an application for public offering where three full years have elapsed since the delivery date and for trading on the over-the-counter markets. As of December 31, 2021, the Company's privately placed ordinary shares that have not been submitted an application for public offering amounted to \$22,500 thousand shares (there were 3,500 thousand shares issued in 2015, and the issuance amount was \$28,000; there were 8,000 thousand shares issued in 2018, and the issuance amount was \$83,600; there were 11,000 thousand shares issued in 2020, and the issuance amount was \$276,270).
- E. As of December 31, 2021, the amount of \$1,695 was recorded under 'certificate of entitlement to new shares from convertible bonds' because the change in registration has not yet been completed.

(13) Capital surplus

- A. As aforementioned in Note 4(3)B, the transaction wherein the Company acquired the shares in New Advanced Electronics Technologies (Vietnam) Co., Ltd. from the ultimate controlling party was treated as a reorganisation of entities under common control in accordance with the IFRS Q&A issued by the ARDF on October 26, 2018, the ARDF Interpretation 95-081 and the ARDF Interpretation 100-390. The excess of consideration paid over the net equity obtained by the Company shall be adjusted in 'capital surplus - additional paid-in capital', which if insufficient, shall decrease the retained earnings.
- B. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(14) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses (including adjusting unappropriated earnings), then 10% of the remaining amount shall be set aside as legal reserve. After setting aside or reversing a special reserve in accordance with related laws, the appropriation of the remaining earnings, shall be proposed by the Board of Directors and resolved by the shareholders as dividends to shareholders. As the Company operates in a volatile business environment and is in the growth stage, the residual dividend policy is adopted taking into consideration the Company's future capital requirement and longterm financial plans. The Company's distributable earnings as of the end of the period, if any, shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. On August 12, 2021, the Board of Directors resolved to distribute cash dividends of \$128,641 (NT\$4.00 per share) from the earnings for the second quarter of 2021. On March 4, 2022, the Board of Directors resolved to distribute a cash dividend of \$145,484 (NT\$4.50 per share) from the fourth quarter earnings of 2021.

(15) Operating revenue

The Group recognises revenue at a point in time in the following major product lines and geographical regions:

	Years ended December 31,	
	2021	2020
Revenue from contracts with customers		
Sales revenue-speakers	\$ 3,050,503	\$ 348,963
Sales revenue-portable power supplies	-	1,319
Sales revenue-chargers	-	293
Sales revenue-others	-	605
	<u>\$ 3,050,503</u>	<u>\$ 351,180</u>

	Years ended December 31,	
	2021	2020
<u>Main business market</u>		
America	\$ 2,379,436	\$ 12,740
Japan	453,107	301,588
Canada	204,005	31,113
Germany	13,955	2,497
Britain	-	1,025
Taiwan	-	2,217
	<u>\$ 3,050,503</u>	<u>\$ 351,180</u>

(16) Interest income

	Years ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 133	\$ 1,292
Others	306	-
	<u>\$ 439</u>	<u>\$ 1,292</u>

(17) Other income

	Years ended December 31,	
	2021	2020
Revenue from samples and models	\$ 7,717	\$ 1,096
Others	3,053	59
	<u>\$ 10,770</u>	<u>\$ 1,155</u>

(18) Other gains and losses

	Years ended December 31,	
	2021	2020
Gains on disposals of property, plant and equipment	\$ -	\$ 5
Net currency exchange losses	(8,674)	(4,369)
Net losses on financial assets at fair value through profit or loss	(1,005)	-
Others	(7)	962
	<u>(\$ 9,686)</u>	<u>(\$ 3,402)</u>

(19) Finance costs

	Years ended December 31,	
	2021	2020
Interest expenses		
Bank borrowings	\$ 3,058	\$ 130
Convertible bonds	2,497	-
Lease liabilities	132	35
Accounts receivable factored expenses	3,920	-
Other finance charges	4,296	3
	<u>\$ 13,903</u>	<u>\$ 168</u>

(20) Expenses by nature

	Years ended December 31,	
	2021	2020
Employee benefit expense	\$ 79,883	\$ 25,104
Depreciation charges on property, plant and equipment	933	196
Amortisation charges on right-of-use assets	7,583	4,418
	<u>\$ 88,399</u>	<u>\$ 29,718</u>

(21) Employee benefit expense

	Years ended December 31,	
	2021	2020
Pension costs	\$ 1,089	\$ 695
Short-term employee benefits	74,974	22,730
Other employee benefits	3,820	1,679
	<u>\$ 79,883</u>	<u>\$ 25,104</u>

A. In accordance with the Articles of Incorporation of the Group, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 5% for directors' remuneration.

B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$6,500 and \$0, respectively; while directors' remuneration was accrued at \$5,000 and \$0, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on the profit of current year distributable for the year ended December 31, 2021 and a certain percentage. The employees' compensation and directors' remuneration resolved by the Board of Directors amounted to \$6,500 and 5,000, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' remuneration of 2020 as resolved at the Board of Directors' meeting were in agreement with those amounts recognised in the profit or loss of 2020.

Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

C. The Group has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. The Company contributes monthly an amount of 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. For the years ended December 31, 2021 and 2020, the Group recognised pension costs in line with the pension act amounting to \$1,089 and \$695, respectively.

(22) Income tax

A. Components of income tax expense:

	Years ended December 31,	
	2021	2020
Current tax:		
Current tax on profits for the year	\$ 125,765	\$ 8,581
Prior year income tax underestimation	51	-
Loss carryforward used for the year	(47,441)	(7,534)
Total current tax	<u>78,375</u>	<u>1,047</u>
Deferred tax:		
Origination and reversal of temporary differences	711	1,478
Income tax expense	<u>\$ 79,086</u>	<u>\$ 2,525</u>

B. The income tax (charge) / credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2021	2020
Currency translation differences	(\$ 1,136)	(\$ 2,663)

C. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2021	2020
Income tax calculated by applying statutory rate to the gain before tax	\$ 125,671	\$ 10,652
Prior year income tax underestimation	51	-
Loss carryforward used for the year	(47,441)	(7,534)
Expenses disallowed by tax regulation	805	-
Tax exempt income by tax regulation	-	(593)
Income tax expense	<u>\$ 79,086</u>	<u>\$ 2,525</u>

D. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2021			
	At January 1	Recognised in profit or loss	Recognised in other comprehensive income	At December 31
Temporary differences:				
— Deferred tax assets:				
Currency translation differences	\$ 2,425	\$ -	\$ 1,136	\$ 3,561
Loss on long-term foreign equity investments accounted for using equity method	-	5,083	-	5,083
Unrealized exchange losses	66	863	-	929
Other	-	162	-	162
	<u>\$ 2,491</u>	<u>\$ 6,108</u>	<u>\$ 1,136</u>	<u>\$ 9,735</u>
— Deferred tax liabilities:				
Gain on long-term foreign equity investments accounted for using equity method	(\$ 1,544)	(\$ 6,819)	\$ -	(\$ 8,363)
	<u>\$ 947</u>	<u>(\$ 711)</u>	<u>\$ 1,136</u>	<u>\$ 1,372</u>

2020				
	At January 1	Recognised in profit or loss	Recognised in other comprehensive income	At December 31
Temporary differences:				
– Deferred tax assets:				
Currency translation differences	\$ -	\$ -	\$ 2,425	\$ 2,425
Unrealized exchange losses	-	66	-	66
	<u>\$ -</u>	<u>\$ 66</u>	<u>\$ 2,425</u>	<u>\$ 2,491</u>
– Deferred tax liabilities:				
Gain on long-term foreign equity investments accounted for using equity method	\$ -	(\$ 1,544)	\$ -	(\$ 1,544)
Currency translation differences	(238)	-	238	-
	<u>(\$ 238)</u>	<u>(\$ 1,478)</u>	<u>\$ 2,663</u>	<u>\$ 947</u>

E. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

Foreign subsidiaries:

December 31, 2021				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2021	<u>\$ 24,078</u>	<u>\$ 24,078</u>	<u>\$ 24,078</u>	2026

No comparative balances as of December 31, 2020.

Domestic companies:

No comparative balances as of December 31, 2021.

December 31, 2020				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	\$ 20,430	\$ 12,475	\$ 12,475	2022
2013	17,829	17,829	17,829	2023
2014	39,948	39,948	39,948	2024
2015	46,554	46,554	46,554	2025
2016	13,417	13,417	13,417	2026
2017	59,692	59,692	59,692	2027
2018	27,384	27,384	27,384	2028
2019	19,966	19,966	19,966	2029
	<u>\$ 245,220</u>	<u>\$ 237,265</u>	<u>\$ 237,265</u>	

F. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(23) Earnings per share

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Earnings attributable to ordinary shareholders of the Company	<u>\$ 526,247</u>	<u>\$ 32,164</u>	<u>\$ 16.36</u>
<u>Diluted earnings per share</u>			
Earnings attributable to ordinary shareholders of the Company	\$ 526,247	\$ 32,164	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	2,802	2,578	
Employees' compensation	-	29	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 529,049</u>	<u>\$ 34,771</u>	<u>\$ 15.22</u>

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Earnings attributable to ordinary shareholders of the parent	\$ 46,550		\$ 1.58
Equity attributable to former owner of business combination under common control	(1,267)		(0.04)
	<u>\$ 45,283</u>	<u>29,546</u>	<u>\$ 1.54</u>

(24) Reorganisation of entities under common control

A. The Board of the Directors of the Company during its meeting on April 16, 2020 resolved to increase its capital in New Advanced Electronics Technologies (Vietnam) Co., Ltd. for a cash consideration of US\$10 million to acquire a 62.5% equity interest. New Advanced Electronics Technologies (Vietnam) Co., Ltd. has been included in the Company's consolidated financial statements after the completion of investment on July 1, 2020.

B. New Advanced Electronics Technologies (Vietnam) Co., Ltd. was treated as if it had always been consolidated since the beginning and was accounted for by using the book value method since the transaction pertains to the reorganisation. The difference between the acquisition cost and the net equity of New Advanced Electronics Technologies (Vietnam) Co., Ltd. was adjusted in 'capital surplus, additional paid-in capital' in the amount of \$1,370.

C. The balance of 'equity attributable to former owner of business combination under common control' amounting to \$109,621, which represents the equity of New Advanced Electronics Technologies (Vietnam) Co., Ltd. acquired under the assumption that it had always been consolidated since the beginning, was eliminated upon the completion of aforementioned transactions.

(25) Transactions with non-controlling interest

The Group acquired a 37.5% equity interest in New Advanced Electronics Technologies (Vietnam) Company Limited in cash amounting to \$168,114 in January 2021. The carrying amount of New Advanced Electronics Technologies (Vietnam) Company Limited's non-controlling interest at acquisition date amounted to \$175,515. This transaction made a decrease in non-controlling interest and an increase in equity attributable to owners of parent amounting to \$175,515 and \$168,114, respectively. The effect of changes in interests in New Advanced Electronics Technologies (Vietnam) Company Limited on the equity attributable to owners of the parent for the year ended December 31, 2021 is shown below:

	Years ended December 31,	
	2021	2020
Carrying amount of non-controlling interest acquired	\$ 175,515	\$ -
Consideration paid to non-controlling interest	(168,114)	-
Capital surplus		
- difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	\$ 7,401	\$ -

(26) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31	
	2021	2020
Purchase of property, plant and equipment	\$ 84,366	\$ 232,679
Add: Opening balance of payable on equipment	20,598	-
Less: Ending balance of payable on equipment	(3,615)	(20,598)
Cash paid during the year	\$ 101,349	\$ 212,081

B. Investing and financing activities with no cash flow effects:

	Years ended December 31,	
	2021	2020
Prepayments for business facilities reclassified as property, plant and equipment	\$ 40,655	\$ -
Prepayments for business facilities reclassified as prepayments	\$ 739	\$ -
Convertible bonds converted to share capital and capital surplus	\$ 37,924	\$ -

(27) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities	Corporate bonds payable	Liabilities from financing activities-gross
At January 1, 2021	\$ 71,200	\$ 7,718	\$ -	\$ 78,918
Changes in cash flow from financing activities	158,565	(4,433)	597,792	751,924
Changes in other non-cash items	-	10,753	(44,478)	(33,725)
Impact of changes in foreign exchange rate	-	(116)	-	(116)
At December 31, 2021	<u>\$ 229,765</u>	<u>\$ 13,922</u>	<u>\$ 553,314</u>	<u>\$ 797,001</u>

	Short-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2020	\$ -	\$ -	\$ -
Changes in cash flow from financing activities	71,200	(1,094)	70,106
Changes in other non-cash items	-	8,773	8,773
Impact of changes in foreign exchange rate	-	39	39
At December 31, 2020	<u>\$ 71,200</u>	<u>\$ 7,718</u>	<u>\$ 78,918</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company is controlled by the Chairman, Hsing, Chia-chen, who owns 59.89% of the Company's shares. The remaining 40.11% of the shares are widely held.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Company
Taihong Asset Management Co., Ltd. (Taihong Asset)	Other related party-substantial relationship (Note)
OXTOP(DONG GUAN) Electronics Co., Ltd. (OXTOP(DONG GUAN))	Other related party-substantial relationship (Note)
Frontier Technologies Holdings Limited (Frontier) Hsing, Chia-chen	Other related party-substantial relationship (Note) Company's Chairman

Note: The person in charge is the same person as the chairman of the company.

(3) Significant related party transactions

A. Purchase:

	Years ended December 31,	
	2021	2020
Purchases of goods:		
OXTOP(DONG GUAN)	\$ 2,279,560	\$ 251,830

Goods are purchased from related parties based on the transaction prices and payment terms agreed upon by both parties as there are no similar counterparties or transactions available.

B. Payables to related parties:

	December 31, 2021	December 31, 2020
Accounts payable:		
OXTOP(DONG GUAN)	\$ 114,514	\$ 52,706

The payables to related parties arise mainly from purchase transactions and are due 30 days end of month. The payables bear no interest.

C. Property transactions

Acquisition of property, plant and equipment

	Years ended December 31,	
	2021	2020
OXTOP(DONG GUAN)	\$ 1,590	\$ -

D. In July 2020, the Group acquired 62.5% equity interest in New Advanced Electronics Technologies (Vietnam) Company Limited for a total cash consideration of \$296,000, which was included in the Company's consolidated subsidiaries. In January 2021, the Group paid \$168,114 to Frontier to acquire 37.5% of New Advanced Electronics Technologies (Vietnam) Company Limited and the registration has been completed on February 22, 2021.

E. Lease transactions — lessee

- (a) The Group leases buildings from Taihong Asset Management Co., Ltd. Rental contracts covered the period from June 2019 to April 2021, May 2021 to April 2024 and July 2021 to June 2024, respectively. Rents are paid at the end of month.
- (b) The Group leases buildings from Hsing, Chia-chen. Rental contracts covered the period from December 2020 to November 2025. Rents are paid at the end of month.
- (c) Acquisition of right-of-use assets:

	Years ended December 31,	
	2021	2020
Hsing, Chia-chen	\$ -	\$ 2,799
Taihong Asset	8,565	-
	\$ 8,565	\$ 2,799

(d) Rent expense

	Years ended December 31,	
	2021	2020
Taihong Asset	\$ 1,133	\$ 1,633

(e) Lease liabilities

i. Outstanding balance:

	December 31, 2021	December 31, 2020
Hsing, Chia-chen	\$ 2,207	\$ 2,755
Taihong Asset	6,923	-
	<u>\$ 9,130</u>	<u>\$ 2,755</u>

ii. Interest expense

	Years ended December 31,	
	2021	2020
Hsing, Chia-chen	\$ 28	\$ 3
Taihong Asset	52	-
	<u>\$ 80</u>	<u>\$ 3</u>

F. Endorsements and guarantees provided to related parties:

	December 31, 2021	December 31, 2020
Frontier	<u>\$ 300,000</u>	<u>\$ -</u>

Frontier provided guarantees for the Company's bonds payable.

(4) Key management remuneration

	Years ended December 31,	
	2021	2020
Short-term employee benefits	<u>\$ 10,844</u>	<u>\$ 3,501</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2021	December 31, 2020	
Current financial assets at amortised cost	\$ 73,369	\$ -	Performance guarantee and short-term borrowings
Non-current financial assets at amortised cost	6,398	922	Seizure by court
	<u>\$ 79,767</u>	<u>\$ 922</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

On January 5, 2021, the Company received a civil complaint from the Taiwan Taipei District Court stating that a complainant, Mr. Guo, requested the Company and Beautiful Bright Limited (representative is ZHANG, JIA-YING) to repay a \$5,000 loan plus 2% interest per annum. The case was ruled in favor of the complainant in the first trial by the civil judgment of Taiwan Taipei District Court. In addition, on January 26, 2021, the Company received a civil complaint from the Taiwan Taipei District Court in relation to a \$21,000 promissory note jointly issued by the Company, Beautiful Bright Limited and ZHANG, JIA-YING. The holder of the promissory note, Mr. Yang, petitioned the court for a ruling granting compulsory execution to repay the face value of promissory note plus 20% interest per annum. The court allowed the seizure of the Company's bank deposits of \$5,421 as the case was ruled in favor of Mr. Yang by the Taipei District Court in the first trial. However, the Company is appealing the court's ruling and the case is still in process. The said two cases pertain to the illegal personal behavior of a former general manager, ZHANG, JIA-YING. The Company has appointed a lawyer to handle the litigation matters, and the aforementioned two cases have no significant impact to the Company based on the lawyer's assessment. On April 28, 2021, the Company has petitioned to the Taiwan Kaohsiung District Court that the execution of the Company's bank deposits of \$5,421 be terminated.

(2) Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment	<u>\$ 9,534</u>	<u>\$ 39,228</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) On November 4, 2021, the Company's Board of Directors resolved to indirectly acquire 80% equity interest in OXTOP (DONG GUAN) Electronics Co., Ltd. through capital increase of Advanced Sound Technologies, Inc., amounting to US\$8.8 million. The Company completed the capital increase in January 2022.
- (2) On March 4, 2022, the Board of Directors resolved to distribute a cash dividend of \$145,484 (NT\$4.50 per share) from the fourth quarter earnings of 2021, please refer to Note 6(14) for details.
- (3) On March 4, 2022, the Board of Directors resolved to raise additional cash by issuing new shares not exceeding 5,000 thousand shares to increase working capital and repay bank borrowings.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new

shares or sell assets to reduce the debts.

The Group's strategy was to maintain a stable gearing ratio to monitor capital, and the gearing ratios were as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 1,060,838	\$ 164,295
Total assets	\$ 1,870,004	\$ 693,973
Gearing ratio	57%	24%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2021	December 31, 2020
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 56	\$ -
Financial assets at amortised cost		
Cash and cash equivalents	422,993	112,606
Financial assets at amortised cost	79,767	922
Accounts receivable	777,541	142,259
Other receivables	17,378	888
Guarantee deposits paid	2,248	1,445
	<u>\$ 1,299,983</u>	<u>\$ 258,120</u>
	December 31, 2021	December 31, 2020
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 229,765	\$ 71,200
Accounts payable (including related parties)	119,090	52,706
Other payables	56,208	30,052
Corporate bonds payable	553,314	-
	<u>\$ 958,377</u>	<u>\$ 153,958</u>
Lease liability	<u>\$ 13,922</u>	<u>\$ 7,718</u>

B. Risk management policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance. To monitor and manage those risks, the Board of Directors formulated related regulations to

authorise management to conduct those activities under an acceptable risk, and ask the internal auditors who are directly under the Board of Directors to examine management's assessment regularly. If there is any abnormal situation, the internal auditors shall report to the Board of Directors immediately, and adopt appropriate corrective measures.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the HKD and USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.
- iii. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: USD, VND and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2021		
	Foreign currency		Book value
	amount		
(Foreign currency: functional currency)	(In thousands)	Exchange rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 41,394	27.68	\$ 1,145,780
HKD : USD	783	0.1290	2,795
USD : VND	813	22,680	22,508
USD : RMB	197	6.52	5,504
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	3,768	27.68	104,307

	December 31, 2020		
	Foreign currency		Book value
(Foreign currency: functional currency)	amount (In thousands)	Exchange rate	
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 5,665	28.48	\$ 161,338
HKD : USD	52	0.1290	191
USD : VND	854	23,010	24,169
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	959	28.48	27,313

- iv. The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020, amounted to \$8,674 and \$4,369, respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	December 31, 2021		
	Degree of varianon	Effect on profit or loss	Effect on other comprehensive income
<u>Sensitivity analysis:</u>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 11,458	\$ -
HKD : USD	1%	28	-
USD : VND	1%	225	-
USD : RMB	1%	55	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	1,043	-

	December 31, 2020		
	Degree of variarion	Effect on profit or loss	Effect on other comprehensive income
<u>Sensitivity analysis:</u>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 1,613	\$ -
HKD : USD	1%	2	-
USD : VND	1%	242	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	273	-

Price risk

The Group has no significant price risk.

Cash flow and fair value interest rate risk

- i. The Group is exposed to cash flow risk of floating-rate assets held and floating-rate liabilities which expose the Group to cash flow interest rate risk. During 2021 and 2020, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars and United States Dollar.
- ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate had increased/decreased by 0.5% with all other variables held constant, profit, net of tax for the years ended December 31, 2021 and 2020 would have increased/decreased by \$1,149 and \$356, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms and contract cash flow of financial assets at amortised cost.
- ii. The Group manages their credit risk taking into consideration the entire Group's concern. Only those financial institutions with good credit standing are accepted as trading counterparties. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard collection and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past

experience and other factors.

iii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On December 31, 2021 and 2020, the Group's written-off financial assets that are still under recourse procedures amounted to \$0.

iv. Under IFRS 9, the Group applies the simplified approach to provide loss allowance for accounts receivable. The Group uses provision matrix to estimate lifetime expected credit loss which takes into consideration the customers' historical default records, actual financial conditions and future economic tendency. In accordance with the Group's historical experiences in relation to credit loss, no obvious difference on the loss types was identified among different customer groups, therefore, provision matrix has not been further classified based on customer groups. The Group estimates expected credit loss based on the past due date of accounts receivable.

If the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. The default occurs when the contract payments are past due over 365 days.

The Group adjusted provision matrix with the time value of money and the historical loss of accounts receivable and forecastability, which considered the economic condition of next year.

		1~ 30 days	31~90 days	91~180 days	181~270 days	271~365 days	365 days
	Not past due	past due	past due	past due	past due	past due	past due
Expected loss rate	0.1%	1%	5%	10%	25%	50%	100%

v. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

vi. The following indicators are used to determine whether the credit impairment of financial assets has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties.

(ii) Default or delinquency in interest or principal repayments;

vii. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable and other receivables are as follows:

	<u>Year ended December 31, 2021</u>
At January 1	\$ -
Provision for impairment	1,306
Effect of foreign exchange	(6)
At December 31	<u>\$ 1,300</u>

No comparative balances as of December 31, 2020.

For the years ended December 31, 2021 and 2020, the impairment loss recognised on receivables from contracts with customers amounted to \$1,306 and \$0, respectively.

(c) Liquidity risk

- i. The Group maintains financial flexibility using cash and bank borrowings. The table below analyses the Company's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial instruments

		Between	Between	
<u>December 31, 2021</u>	<u>Within 1 year</u>	<u>1 and 2 years</u>	<u>2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 230,695	\$ -	\$ -	\$ -
Accounts payable (including related parties)	119,090	-	-	-
Other payables	56,208	-	-	-
Corporate bonds payable	-	-	561,500	-
Lease liability	6,269	5,074	2,808	-
	<u>\$ 412,262</u>	<u>\$ 5,074</u>	<u>\$ 564,308</u>	<u>\$ -</u>

Non-derivative financial instruments

		Between	Between	
<u>December 31, 2020</u>	<u>Within 1 year</u>	<u>1 and 2 years</u>	<u>2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 71,364	\$ -	\$ -	\$ -
Accounts payable (including parties)	52,706	-	-	-
Other payables	30,052	-	-	-
Lease liability	2,737	2,737	2,581	-
	<u>\$ 156,859</u>	<u>\$ 2,737</u>	<u>\$ 2,581</u>	<u>\$ -</u>

- ii. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly different, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and accounts receivable that are expected to be factored are included in Level 2.

Level 3: Unobservable inputs for the asset or liability, and put and call options embedded in convertible bonds are included in Level 3.

B. Financial instruments not measured at fair value

Financial assets and liabilities not measured at fair value, including the carrying amounts of (cash and cash equivalents, financial assets at amortised cost, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, accounts payable, other payables, lease liabilities and bonds payable) are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2021 and 2020 is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Options embedded in convertible bonds (Note)	\$ -	\$ -	\$ 56	\$ 56
Financial assets at fair value through other comprehensive income				
Accounts receivable that are expected to be factored	\$ -	\$ 575,245	\$ -	\$ 575,245

No comparative balances as of December 31, 2020.

Note: Please refer to Note 6(10) for the value of the put and call options of convertible bonds issued by the Group.

(b) The methods and assumptions the Group used to measure fair value are as follows:

The fair value of financial instrument without active market is determined by using valuation techniques. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

D. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	Year ended December 31,	
	2021	2020
	Derivative instrument	Derivative instrument
At January 1	\$ -	\$ -
Issued in the period	1,070	-
Conversion eliminated for the year	(9)	
Recognised in profit or loss		
Listed as non-operating revenue and expenses	(1,005)	-
At December 31	<u>\$ 56</u>	<u>\$ -</u>
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as at December 31	<u>(\$ 1,005)</u>	<u>\$ -</u>

F. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative Instrument:					
Options embedded in convertible bonds	\$ 56	Binomial Model	Price volatility rate	37.70%	The higher the price volatility, the higher the fair value

No comparative balances as of December 31, 2020.

G. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2021			
		Recognised in profit or loss		Recognised in other comprehensive income	
		Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets	Input	Change			
Derivative Instrument:					
Options embedded in convertible bonds	Price volatility rate	± 5%	<u>20</u>	<u>(\$ 50)</u>	<u>\$ -</u>

No comparative balances as of December 31, 2020.

(4) Other matter

Although the outbreak of Covid-19 in Taiwan has become more severe since May 2021, it did not significantly affect the Group's finance and business.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 3.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J Significant inter-company transactions during the reporting periods: The Group did not have inter-company transactions reaching above \$10,000 for the year ended December 31, 2021.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 5.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholder information

Please refer to table 7.

14. SEGMENT INFORMATION

(1) General information

The Group is primarily engaged in sales of various portable power supplies, speakers and related power supply products. The Group allocates resources and assesses performance of the Group as a whole, and has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

The Group assesses the performance of operating segments based on profit or loss before tax. The accounting policies of operating segment is consistent with those accounting policies described in Note 4 in the consolidated financial statements.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is the financial statements presented based on generally accepted accounting principles.

(4) Reconciliation for segment income (loss)

The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. Segment profit or loss, assets and liabilities reported to the chief operating decision-maker is measured in a manner consistent with that in the Group's consolidated financial statements.

(5) Information on products and services

Please refer to Note 6(15).

(6) Geographical information

	Years ended December 31,			
	2021		2020	
	Revenue	Non-current assets	Revenue	Non-current assets
America	\$ 2,583,441	\$ -	\$ 43,853	\$ -
Asia	453,107	532,128	303,805	431,891
Europe	13,955	-	3,522	-
	<u>\$ 3,050,503</u>	<u>\$ 532,128</u>	<u>\$ 351,180</u>	<u>\$ 431,891</u>

Non-current assets consist of property, plant and equipment, right-of-use assets and other assets, but guarantee deposits paid and deferred tax assets were excluded.

(7) Major customer information

Details of customers whose operating revenue constitute more than 10% of consolidated operating revenue are as follows:

	Years ended December 31,			
	2021		2020	
	Operating revenue	Ratio(%)	Operating revenue	Ratio(%)
Company A	\$ 453,107	15	\$ 301,527	86
Company B	2,295,743	75	-	-
	<u>\$ 2,748,850</u>	<u>90</u>	<u>\$ 301,527</u>	<u>86</u>

New Advanced Electronics Technologies Co., Ltd. and subsidiaries

Loans to others

Year ended December 31, 2021

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2021 (Note 2)	Balance at December 31, 2021	Actual amount drawn down	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for uncollectible accounts	Collateral		Limit on loans granted to a single party (Note 4)	Ceiling on total loans granted (Note 4)	Footnote
0	New Advanced Electronics Technologies Co., Ltd.	OXTOP (DONG GUAN) Electronics Co., Ltd.	Other receivables from related parties	Y	\$ 83,040	\$ 83,040	\$ -	1.25	Business relationship	\$ 2,057,347	-	\$ -	None	\$ -	\$ 161,833	\$ 161,833	
0	New Advanced Electronics Technologies Co., Ltd.	New Advanced Electronics Technologies (Hong Kong) Company Limited	Other receivables from related parties	Y	14,250	-	-	-	Short-term financing	-	Working capital	-	None	-	80,917	161,833	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2021.

Note 3: The column of 'Nature of loan' shall fill in 'Business transaction or 'Short-term financing'.

Note 4: Ceiling on total loans granted by the Company and subsidiaries is 20% of the Company's net asset value of the year; For the companies having business relationship with the Company, financial limit on loans granted to a single party shall not exceed the amount of business transactions occurred between the creditor and borrower during the year; Limit on loans to a single party with short-term financing is 10% of the Company's net asset of the year.

New Advanced Electronics Technologies Co., Ltd. and subsidiaries

Provision of endorsements and guarantees to others

Year ended December 31, 2021

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2021	Outstanding endorsement/ guarantee amount at December 31, 2021	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	New Advanced Electronics Technologies Co., Ltd.	New Advanced Electronics Technologies (Hong Kong) Company Limited	2	\$ 161,833	\$ 27,680	\$ 27,680	\$ -	\$ -	3.42	\$ 404,583	Y	N	N	
0	New Advanced Electronics Technologies Co., Ltd.	New Advanced Electronics Technologies (Vietnam) Co., Ltd.	2	161,833	83,040	83,040	9,912	\$ -	10.26	404,583	Y	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1)Having business relationship.

(2)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Ceiling on total amount of endorsements/guarantees provided the Company to each subsidiary is 50% of the Company's net asset value of the year. Limit on endorsements/guarantees provided by the Company for a single party is 20% of the Company's net asset value of the year.

New Advanced Electronics Technologies Co., Ltd. and subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2021

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2021		Addition		Disposal				Balance as at December 31, 2021	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
New Advanced Electronics Technologies Co., Ltd.	New Advanced Electronics Technologies (Vietnam) Co., Ltd.	Investments accounted for using equity method	Frontier Technologies Holdings Limited & New Advanced Electronics Technologies (Vietnam) Co., Ltd.	Other related party and subsidiary	-	\$ 296,000	-	\$ 280,456	-	\$ -	\$ -	\$ -	-	\$ 576,456

New Advanced Electronics Technologies Co., Ltd. and subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2021

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
New Advanced Electronics Technologies Co., Ltd.	OXTOP(DONG GUAN) Electronics Co., Ltd.	Other related party	Purchases	\$ 2,057,347	100%	Note	\$ -	-	(\$ 91,349)	100%	
New Advanced Electronics Technologies (Hong Kong) Company Limited	OXTOP(DONG GUAN) Electronics Co., Ltd.	Other related party	Purchases	220,213	100%	Note	\$ -	-	(23,165)	100%	

Note: Credit term is determined based on the mutual agreement as there were no similar counterparties or products.

New Advanced Electronics Technologies Co., Ltd. and subsidiaries

Information on investees

Year ended December 31, 2021

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021 (Note 2(2))	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2(3))	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Ownership					
						Number of shares	(%)	Book value			
New Advanced Electronics Technologies Co., Ltd.	New Advanced Electronics Technologies (Vietnam) Co., Ltd.	Vietnam	Manufacture of speakers	\$ 576,456	\$ 296,000	-	100	\$ 541,255	(\$ 24,078)	(\$ 23,640)	
New Advanced Electronics Technologies Co., Ltd.	New Advanced Electronics Technologies (Hong Kong) Company Limited	Hong Kong	Design, research and development and manufacture of speakers	5,778	5,778	-	100	46,189	32,718	32,718	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of ‘Investee’, ‘Location’, ‘Main business activities’, Initial investment amount’ and ‘Shares held as at December 31, 2021’ should fill orderly in the Company’s (public company’s) information on investees and every directly or indirectly controlled investee’s investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the ‘footnote’ column.
 - (2) The ‘Net profit (loss) of the investee for the year ended December 31, 2021’ column should fill in amount of net profit (loss) of the investee for this period.
 - (3) The ‘Investment income (loss) recognised by the Company for the year ended December 31, 2021’ column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period.
- When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary’s net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

New Advanced Electronics Technologies Co., Ltd. and subsidiaries

Information on investments in Mainland China

Year ended December 31, 2021

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee as of 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
OXTOP (DONG GUAN) Eletronics Co., Ltd.	Trading company	\$ 6,920	Note 1	\$ -	\$ 6,920	\$ -	\$ 6,920	\$ 588	100.00	(\$ 398)	\$ 6,509	\$ -	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
New Advanced Electronics Technologies Co., Ltd.	\$ 6,920	\$ 6,920	\$ 485,500

Note 1: Invested directly by OXTOP (DONG GUAN) Eletronics Co., Ltd. of USD 250 thousand.

Note 2: Based on investees' financial statements audited by independent auditors.

Note 3: The numbers in this table are expressed in New Taiwan Dollar, except current profit (loss) for the year ended December 31, 2021 is translated using the average exchange rate of 28.009, amounts disclosed by investees in currencies other than NTD are translated using spot rate of 27,68 on December 31, 2021.

Note 4: Ceiling on investments in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs was the 60% of the net assets.

New Advanced Electronics Technologies Co., Ltd. and subsidiaries

Major shareholders information

December 31, 2021

Table 7

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Taihong Asset Management Co., Ltd.	6,020,000	18.62%
New Advanced Asset Management Co., Ltd.	5,943,000	18.38%
Grace Design Global	5,526,857	17.09%